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**ST. BERNARD PARISH JUVENILE DRUG COURT, INC.**

**FINANCIAL STATEMENTS**

**AS OF AND FOR THE YEAR ENDED JUNE 30, 2007**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 4/9/08

St. Bernard Parish Juvenile Drug Court, Inc.

Financial Statements

As of and for the Year Ended June 30, 2007

Contents

	<u>Page</u>
Independent Auditor's Report	1
Financial Statements:	
Statement of Financial Position	3
Statement of Activities	4
Statement of Cash Flows	5
Notes to the Financial Statements	6 - 8
Other Independent Auditor's Reports and Findings and Recommendations:	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	11 - 12
Schedule of Findings and Recommendations	14 - 15
Corrective Action Plan for Current Year Audit Findings	17
Summary Schedule of Prior Audit Findings	19

# Durnin & James

CERTIFIED PUBLIC ACCOUNTANTS  
A PROFESSIONAL CORPORATION  
HAMMOND, LA

John N. Durnin, CPA  
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Member  
American Institute of CPAs  
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December 28, 2007

## Independent Auditor's Report

The Honorable Manuel Fernandez, Drug Court Judge  
and Honorable Judges  
St. Bernard Parish Adult Drug Court, Inc.  
Chalmette, Louisiana

We have audited the accompanying statement of financial position of the St. Bernard Parish Juvenile Drug Court, Inc. (a nonprofit organization) as of June 30, 2007, and the related statements of activities, and cash flows for the year then ended. These financial statements are the responsibility of the St. Bernard Parish Juvenile Drug Court, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the St. Bernard Parish Juvenile Drug Court, Inc. as of June 30, 2007, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2007, on our consideration of the St. Bernard Parish Juvenile Drug Court, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

Respectfully submitted,

*Durnin & James, CPAs*

Durnin & James, CPAs  
(A Professional Corporation)

## **Financial Statements**

St. Bernard Parish Juvenile Drug Court, Inc.

Statement of Financial Position

June 30, 2007

**Assets**

Current Assets:

Cash and Cash Equivalents \$ 3,004

Receivables:

Grants Receivable 15,448

Total Current Assets \$ 18,452

Total Assets \$ 18,452

**Liabilities and Net Assets**

Current Liabilities:

Accounts Payable \$ 4,350

Due to St. Bernard Parish Adult Drug Court, Inc. 1,500

Salaries Payable 4,473

Payroll Liabilities 2,014

Total Current Liabilities \$ 12,337

Total Liabilities \$ 12,337

Net Assets:

Unrestricted \$ 6,115

Total Net Assets \$ 6,115

Total Liabilities and Net Assets \$ 18,452

The accompanying notes are an integral part of these financial statements.

St. Bernard Parish Juvenile Drug Court, Inc.

Statement of Activities

For the Year Ended June 30, 2007

	<u>June 30, 2007</u>
Support and Revenues:	
Grant Revenue	\$ 92,213
Miscellaneous	<u>7,310</u>
Total Support and Revenues	\$ 99,523
Expenses:	
Program Services - Drug Court:	
Administrative Expenses:	
Payroll and Related Benefits	\$ 58,505
Accounting and Auditing	\$ 6,300
Treatment Expense	30,000
Testing and Laboratory	-
Other Services	160
Travel and Training	<u>-</u>
Total Program Services	\$ 94,965
Total Expenses	\$ <u>94,965</u>
Change in Net Assets	\$ 4,558
Net Assets - Beginning of the Year	\$ 5,857
Prior Period Adjustment	<u>(4,300)</u>
Net Assets - Beginning of Year, Restated	<u>1,557</u>
Net Assets - End of the Year	\$ <u><u>6,115</u></u>

The accompanying notes are an integral part of these financial statements.

St. Bernard Parish Juvenile Drug Court, Inc.

Statement of Cash Flows

For the Year Ended June 30, 2007

	<u>June 30, 2007</u>
Cash Flows from Operating Activities:	
Change in Net Assets	\$ 4,558
Adjustments to Reconcile Change in Net Assets to	
Net Cash Provided by Operating Activities:	
(Increase) Decrease in Grants Receivable	\$ (8,186)
Increase (Decrease) in Accounts Payable	1,700
Increase (Decrease) in Due to ADC	1,500
Increase (Decrease) in Salaries Payable	173
Increase (Decrease) in Payroll Liabilities	<u>(2,143)</u>
Net Cash Provided by Operating Activities	\$ <u>(2,398)</u>
Net Increase (Decrease) in Cash	\$ (2,398)
Cash - Beginning of the Year	<u>\$ 5,402</u>
Cash - End of the Year	<u>\$ 3,004</u>

The accompanying notes are an integral part of these financial statements.

St. Bernard Parish Juvenile Drug Court, Inc.

Notes to the Financial Statements

For the Year Ended June 30, 2007

**Introduction**

St. Bernard Parish Juvenile Drug Court, Inc. (The Drug Court) is a non-profit entity established to provide an alternative to the singularly directed traditional criminal justice case management system of pursuing only punitive based sanctions in response to drug addiction of incarceration and its resultant increased costs in public resources to little or no avail in addressing, diminishing, or reducing criminal activity related to drug addiction and its consequences. This program includes the administration of the St. Bernard Parish Juvenile Drug Court, which is a part of the 34<sup>th</sup> Judicial District Court. At the present time, the Juvenile Drug Court consists of two full time employees.

**1. Summary of Significant Accounting Policies**

**A. Basis of Presentation**

The financial statements have been prepared on an accrual basis and in conformity with standards generally accepted in the United States of America.

**B. Support and Revenue**

For the year ended June 30, 2007, the Adult Drug Court received funding of \$92,213 from the United States Department of Health and Human Services passed through the Louisiana Supreme Court Drug Court Office.

As the State of Louisiana is the Drug Court's major source of revenue, all grant receivables are expected to be fully collectible. Therefore, no provision for uncollectible grant income has been recognized in the accompanying financial statements. A significant reduction in the level of support provided by the State of Louisiana could have a significant impact on the Drug Court's activities.

The Drug Court also receives a monthly program fee from each participant of the Drug Court's program. Not all program fees are expected to be collectible. Therefore, a provision for uncollectible program fees has been recognized in the accompanying financial statements.

**C. Cash**

Cash includes demand deposits.

**D. Income Taxes**

The Drug Court is non-profit corporation and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision is made for income taxes. As of the date of this report, the Drug Court had not received 501(c)(3) exempt status from the Internal Revenue Service.



St. Bernard Parish Juvenile Drug Court, Inc.

Notes to the Financial Statements

For the Year Ended June 30, 2007

E. Fair Values of Financial Instruments

The Drug Court's financial instruments, none of which are held for trading purposes, include cash. The following methods and assumptions used by the Drug Court in estimating its fair value disclosures for financial instruments are:

Cash: The carrying amounts reported in the statement of financial position approximate fair value because of the short maturities of those instruments.

F. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of support and revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

G. Statement of Cash Flows

For the purposes of the statement of cash flows, all investments with a maturity of 90 days or less from the date of purchase are considered to be cash equivalents.

H. Financial Statement Presentation

The Drug Court has adopted Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, the Drug Court is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Drug Court is required to present a statement of cash flows. As permitted by the statement, the Drug Court does not use fund accounting.

I. Contributions

The Drug Court has also adopted SFAS No. 116, "Accounting for Contributions Received and Contributions Made." Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

St. Bernard Parish Juvenile Drug Court, Inc.

Notes to the Financial Statements

For the Year Ended June 30, 2007

**2. Cash**

Cash at June 30, 2007 consisted of the following:

Interest Bearing Demand Deposits	\$ <u>3,004</u>
Total	\$ <u>3,004</u>

**3. Receivables**

Receivables include amounts due from the State of Louisiana and the program participants at June 30, 2007 and are summarized as follows:

Grants Receivable - State of Louisiana	\$ <u>15,448</u>
Total	\$ <u>15,448</u>

**4. Prior Period Adjustment**

Net assets from the prior year has been adjusted to account for accrued salaries and wages from the prior year not recorded at June 30, 2006, in the amount of \$4,300.

**Other Independent Auditor's Reports and  
Findings and Recommendations**

**Independent Auditor's Report on Internal Control Over Financial  
Reporting and on Compliance and Other Matters Based on an  
Audit of Financial Statements Performed in Accordance With  
*Government Auditing Standards***

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December 28, 2007

Independent Auditor's Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance With Government Auditing Standards

The Honorable Manuel Fernandez, Drug Court Judge  
and Honorable Judges  
St. Bernard Parish Adult Drug Court, Inc.  
Chalmette, Louisiana

We have audited the accompanying financial statements of the St. Bernard Parish Juvenile Drug Court, Inc. (a nonprofit organization) as of and for the year ended June 30, 2007, and have issued our report thereon dated December 28, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the St. Bernard Parish Juvenile Drug Court Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Drug Court's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Drug Court's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and others that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Drug Court's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is a more than a remote likelihood that a misstatement of the Drug Court's financial statements that is more than inconsequential will not be prevented or detected by the Drug Court's internal control. We consider the deficiency described in the accompanying schedule of findings, item 07-01, to be a significant deficiency in internal control over financial reporting.

St. Bernard Parish Juvenile Drug Court, Inc.  
December 28, 2007

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Drug Court's internal control. Of the significant deficiencies in internal control over financial reporting described in the accompanying schedule of findings, we consider item 07-01 to be a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the St. Bernard Parish Juvenile Drug Court, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and recommendations as items 06-04, 06-05, and 07-02.

This report is intended solely for the information and use of management, the Louisiana Legislative Auditor, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,



Durnin & James, CPAs  
(A Professional Corporation)

## **Schedule of Findings and Recommendations**

St. Bernard Parish Juvenile Drug Court, Inc.

Schedule of Findings and Recommendations

As of and for the Year Ended June 30, 2007

**Internal Control over Financial Reporting**

**07-01 – Internal controls over financial reporting**

*Condition:*

During our audit, we noted that the Drug Court personnel are not capable of preparing without outside assistance financial statements that are fairly presented in accordance with generally accepted accounting principles.

*Recommendation:*

We recommend that the Drug Court consider hiring an outside accountant who can assist management in the preparation of financial statements presented in accordance with generally accepted accounting principles.

*Management's Response:*

In the future, we will consider the costs and related benefits of hiring an outside accountant to assist in the preparation of financial statements presented in accordance with generally accepted accounting principles.

**Compliance and Other Matters**

**06-04 – Failure to file application for recognition of exemption.**

*Finding:*

During our audit and review of organizing documents, we noted that the Drug Court was organized as a non-profit corporation under the laws of the State of Louisiana, but the Drug Court has never filed an application for recognition of exemption with the Internal Revenue Service that is required to be recognized as a non-profit entity with the federal government. The cause of this condition appears to have been an oversight on the part of management.

This condition was also noted in the prior year.

*Recommendation:*

We recommend the Drug Court review the exemption application filing requirements for nonprofit organizations and file an application as soon as possible.

*Management's Response:*



St. Bernard Parish Juvenile Drug Court, Inc.

Schedule of Findings and Recommendations

As of and for the Year Ended June 30, 2007

We will review the exemption application filing requirements for nonprofit organizations and file an application as soon as possible.

06-05 – Failure to file annual tax return.

*Finding:*

During our audit and review of organizing documents, we noted that the Drug Court has never filed a federal income tax return. The Internal Revenue Code provides that all non-profit organizations with gross receipts in excess of \$25,000 annually, must file a Form 990, *Return of Organizations Exempt from Income Tax*. The cause of this condition appears to have been an oversight on the part of management. By not filing the required annual tax return, the Drug Court did not follow the tax return filing requirements for nonprofit organizations.

*Recommendation:*

We recommend the Drug Court review the tax return filing requirements for non-profit organizations and file an income tax return when required.

*Management's Response:*

We will review the tax return filing requirements for nonprofit organizations and file an income tax return when required.

07-02 – Findings of site monitoring visit conducted by the Louisiana State Supreme Court

*Finding:*

A monitoring site visit by the Louisiana State Supreme Court was conducted on August 1, 2007, to ensure that funds disbursed by the Supreme Court Drug Court Program were being administered in accordance with all applicable State and Federal administrative and financial management requirements. The results of the monitoring visit were as follows:

- The Drug Court should maintain current contracts with all professional service providers.

*Recommendation:*

We recommend that the Drug Court comply with the conclusions of the Supreme Court monitoring visit as soon as possible.

*Management's Response:*

We will comply with the conclusions of the Supreme Court monitoring visit, by maintaining current contracts with professional service providers.

## **Corrective Action Plan for Current Year Audit Findings**

St. Bernard Parish Juvenile Drug Court, Inc.

Corrective Action Plan for Current Year Audit Findings

For the Year Ended June 30, 2007

<u>Ref. #</u>	<u>Description of Finding</u>	<u>Corrective Action Plan</u>	<u>Name of Contact Person</u>	<u>Anticipated Completion Date</u>
<b><u>Internal Control over Financial Reporting</u></b>				
07-01	Internal controls over financial reporting	Consider cost and benefit of hiring outside accountant to assist management in financial statement preparation	Don Muller	June 30, 2008
<b><u>Compliance and Other Matters</u></b>				
06-04	Failure to file application for recognition of exemption	File application	Don Muller	June 30, 2008
06-05	Failure to file annual tax return	File tax return	Don Muller	June 30, 2008
07-02	Findings of site monitoring visit conducted by the Louisiana State Supreme Court.	Comply with findings.	Don Muller	June 30, 2008

*Note: This schedule has been prepared by the management of the St. Bernard Parish Juvenile Drug Court, Inc.*

## **Summary Schedule of Prior Audit Findings**

**St. Bernard Parish Juvenile Drug Court, Inc.**

**Summary Schedule of Prior Audit Findings**

**For the Year Ended June 30, 2007**

Ref. #	Fiscal Year Findings Initially Occurred	Description of Findings	Corrective Action Taken	Plan Corrective Action - Partial Corrective Action Taken
<b><u>Internal Control over Financial Reporting</u></b>				
06-01	June 30, 2006	Additional safeguards over cash disbursements.	Yes	Documentation by administrator of review by initialing invoices.
06-02	June 30, 2006	Additional safeguards over bank reconciliation procedures.	Yes	Administrator documented review by initialing statements.
06-03	June 30, 2006	Implementation of full accrual method of accounting.	Yes	Implemented full accrual method of accounting.
<b><u>Compliance and Other Matters</u></b>				
06-04	June 30, 2006	Failure to file application for recognition of exemption.	No	No application filed.
06-05	June 30, 2006	Failure to file annual tax return.	No	No tax return filed.
06-06	June 30, 2006	Findings of site monitoring visit conducted by the Louisiana State Supreme Court.	Yes	Compled with findings of Louisiana State Supreme Court.
06-07	June 30, 2006	Failure to file timely audit report.	Yes	Audit reports timely filed.

*Note: This schedule has been prepared by the management of the St. Bernard Parish Juvenile Drug Court, Inc.*